

EMERGENCY RECONSTRUCTION SUPPORT PROGRAM FOLLOWING THE EARTHQUAKE OF 13 FEBRUARY 2001

(ES-0150)

EXECUTIVE SUMMARY

Borrower:	Republic of El Salvador	
Executing agencies:	Social Investment Fund for Local Development (FISDL) and the Ministry of Public Works, coexecuting agencies	
Amount and source:	IDB: OC (IFF)	US\$20 million
	Local:	<u>US\$ 5 million</u>
	Total:	US\$25 million
	Amortization period:	25 years
	Grace period:	5 years
	Disbursement:	12 months
	Commitment period:	9 months
	Interest rate:	Variable
	Inspection and supervision:	1%
	Credit fee:	0.75%
	Currency:	U.S. dollars, under the Single Currency Facility
Objectives:	The program is intended to help restore basic priority services to the population affected by the 13 February earthquake. Specifically, it will seek to ensure that the social and economic life of the affected population is restored rapidly and efficiently through a set of activities focused on temporary housing and road restoration work.	
Description:	Program resources will be used to: (i) remove debris from and rent private, unimproved lots with an option to purchase and provide subsequent temporary housing on these permanent residence sites (approximately 37,500 units); (ii) repair and protect sections of the road system damaged by the 13 February earthquake; and (iii) provide temporary institutional support to FISDL and the Ministry of Public Works.	
The Bank's country and sector strategy:	When a natural disaster occurs, the Bank supports the efforts of its member countries to respond to the disaster and its socioeconomic and environmental impacts. This program is consistent with the Bank's policy on emergencies arising from natural and unexpected	

Bank's policy on emergencies arising from natural and unexpected disasters (document GP-92-15) and the Emergency Reconstruction Facility, which provides rapid support following a disaster (document GN-2038-2). Moreover, the program focuses on activities that will have a high impact on the most vulnerable population.

Environmental considerations:

Activities under the proposed operation will comply with environmental standards and specifications satisfactory to the Bank for mitigating environmental impacts caused by their execution. Each coexecuting agency will have environmental specialists on hand to ensure compliance with these specifications. Given the nature of this program, no environmental impact assessments will be done (paragraphs 5.40-5.44).

Benefits:

Some 37,500 families affected by the earthquake will receive support so that basic living conditions can be restored quickly and efficiently. Improved road access will benefit numerous communities in the 22 municipios that are facing difficult access conditions owing to damage to the roads linking them to the country's major highways.

Risks:

There are two types of risk for effective and timely execution of the operation. **First**, the urgency of the operation and the additional demands that come on top of those resulting from the first earthquake may saturate the capacity of the FISDL coordinating group and make it difficult for the municipios to implement the emergency procedures (previously agreed upon with the Bank for the first emergency operation) that are necessary for substantiation of eligible expenditures chargeable to the Bank's financing. This risk is mitigated by the fact that FISDL has demonstrated financial and operational management capacity, which will be strengthened by hiring additional financial and operations staff to help the municipios to implement the operational procedures agreed upon in the municipal agreements and to ensure proper reporting. **Second**, the execution capacity of the Ministry of Public Works is under pressure owing to the large number of emergency projects that it is overseeing. This risk is being mitigated by: (i) hiring consultants to provide operational support for the Ministry's coordinating group; (ii) hiring a supervisory firm to support the bidding and execution process for the work; and (iii) having the private sector perform most of the construction work in the road repair and protection subproject.

Special contractual clauses:

Contractual condition precedent to the first disbursement: hiring of the independent auditing firm to conduct the concurrent and ex post audits called for in the program, in accordance with procedures and terms of reference (see technical files) agreed upon in advance by the Bank and the coexecuting agencies (paragraph 5.39).

Eligible expenditures: disbursement under subproject I. Each municipio in which expenses have been incurred and charged to this subproject is to have signed in advance an agreement with FISDL to participate in the program, in accordance with terms agreed upon with the Bank (paragraph 5.18).

Pursuant to the policy governing the Emergency Reconstruction Facility (PR-806), a revolving fund will be established in the amount of up to 20% of the program financing (paragraph 5.26).

Poverty-targeting and social sector classification:

This operation qualifies as a social equity enhancing program, as described in the indicative targets mandated by the Bank's Eighth General Increase in Resources (document AB-1704). Furthermore, this operation also qualifies as a poverty-targeted investment (see paragraph 5.45).

Procurement:

Use of procurement procedures for projects in emergency situations – GS-601 (paragraphs 5.27 and 5.28):

Simplified international competitive bidding procedures are to be followed for procurement of consulting services for amounts greater than US\$200,000, construction contracts for amounts greater than US\$1.5 million, and for related goods and services for amounts greater than US\$250,000 (see Table 1.2). These emergency procedures will be applicable during the 12-month period beginning on 13 February 2001, when the emergency was declared.

Pursuant to policy GS-601, direct contracting without competition may be used up to a ceiling of US\$5 million for the entire program. Such contracting will be subject to the following conditions:

- a. Procurements eligible for reimbursement through retroactive financing are included in the US\$5 million ceiling for direct contracting without competition.
- b. The maximum cumulative amount per company for direct contracting without competition is US\$600,000.
- c. No construction contract may exceed US\$300,000, except in the case of retroactive financing.

- d. For goods and services, no contract awarded without competition may exceed US\$2,500; this restriction does not apply to procurements reimbursed under retroactive financing.
- e. Direct contracting without competition is not permitted for consulting services, except for procurements reimbursed under retroactive financing.
- f. For force account operations, the total amount of eligible spending is US\$1 million.

Each month, FISDL and the Ministry of Public Works will post on a government web page a list of the contracts awarded using program resources; the website address will be published in at least two widely circulated periodicals. Each month, the municipios will issue a list of the families benefiting from this program and will post it in a place readily accessible to the public.

Reimbursement of expenditures and retroactive financing:

Up to US\$15 million in program-eligible expenditures incurred between 13 February 2001 and the eligibility date for the first disbursement may be reimbursed against the Bank financing, provided that procurement procedures substantially similar to those described in this document have been followed (paragraph 5.24).

Up to US\$1 million may be reimbursed against the Bank financing for expenditures incurred under subproject II (road repair and protection), through the force account mechanism (paragraph 5.22).

Exceptions to Bank policy:

An exception to Bank policy is requested for direct hiring of the firm of Deloitte Touche to conduct the external audit (paragraph 5.39). This firm was selected through a competitive process that was completed in March, to provide external auditing for the emergency program following the first earthquake (ES-0148). Based on its experience with the first emergency loan, the firm will have knowledge of the procedures applicable to projects financed under the Emergency Reconstruction Facility and FISDL. Direct hiring of this firm will help to streamline program execution by taking advantage of this knowledge.